

Service Date: April 14, 1988

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER Of The Montana)	UTILITY DIVISION
Public Service Commission's)	
Investigation of Federal Tax)	DOCKET NO. 86.11.62 (13)
Reform Impacts on Public)	
Utility Revenue Requirements.)	ORDER NO. 5341
_____)	

FINDINGS OF FACT

1. On November 24, 1986, the Montana Public Service Commission (MPSC or Commission) initiated this Docket with an Order to Show Cause, Order No. 5236, that existing rates for public utilities remain just and reasonable following the Tax Reform Act of 1986 (TRA). All respondents were ordered to provide the information required by the Commission's minimum filing requirements on or before February 1, 1987.

2. Accordingly, on February 5, 1987, Northwestern Telephone Company, Inc. (NWTs, Company, or Applicant) filed with the Commission its response for its Montana operations in compliance with Order No. 5236. In that filing, NWTs stated that the effects of the TRA did not result in a need for a decrease in the Company's rates and provided information to verify that position, based on the historical test period for the twelve months ended December 31,

1985. This filing utilized a 40 percent Federal tax rate. The capital structure and costs approved in Docket No. 81.8.69 (except for an updated cost of debt), were used to calculate an overall currently authorized rate of return of 11 percent. The filing shows a pro forma overall rate of return of 8.91%. Based on its analysis, the Company did not request a rate increase and requested that the rates NWTS is permitted to charge its customers in Montana for intrastate telecommunications services not be adjusted to reflect the Company's calculated cost of providing such service, including the impacts of the TRA.

3. On March 4, 1987, the Commission issued Order No. 5236a, which was a preliminary procedural order based on the Commission's finding that preliminary comment on generic legal and policy aspects of the TRA would promote a uniform regulatory approach, while avoiding unnecessary duplication of effort. Specifically, the Commission requested comment on several issues raised by the TRA.

4. On May 27, 1987, the Commission issued Order No. 5236b, which requested the utilities to answer certain questions concerning the effects on operating results of Statement on Financial Accounting Standards 87 (Statement 87), issued by the Financial Accounting Standards Board (FASB). This request for comments from the utilities in this same TRA Docket was the result of no

respondents addressing this issue in their response to Order No. 5236a.

5. Based on the Commission's analysis of the utilities' and Montana Consumer Counsel's responses to Order No. 5236a, on June 8, 1987, the Commission issued Order No. 5236c, which addressed each issue of the TRA focused on in Order No. 5236a. In Order No. 5236c, the Commission stated that the direction given in that Order may be applied to utilities' results of operations filed in Docket No. 86.11.62 (sub 13 for NWTs) and that such application may result in tariff changes being ordered on an interim and/or final basis.

6. Pursuant to the Commission's Order No. 5236c in Docket No. 86.11.62, the Commission submitted Data Requests to all affected public utilities operating in Montana asking for information to quantify the effects of Order No. 5236c.

7. On July 1, 1987, NWTs filed responses to the Commission staff data requests.

Commission Analysis

8. Montana Consumer Counsel, who submitted Data Requests, did not file any testimony in this proceeding.

9. Based on its analysis of the Company's compliance filing and responses to all Data Requests in Docket No. 86.11.62(13), the Commission finds that the rates of NWTs do not need to be adjusted

as a result of the effects of the TRA and remain just and reasonable. The Commission, therefore, finds the closing of Docket No. 86.11.62(13) to be proper.

CONCLUSIONS OF LAW

1. Northwestern Telephone Systems, Inc. offers regulated telecommunications services in the state of Montana and is a public utility under Section 69-3-101, MCA. The Commission has authority to supervise, regulate and control public utilities. Section 69-3-102, MCA.

2. The Commission may regulate the mode and manner of all investigations and hearings of public utilities. Section 69-3-103, MCA. The Commission may inquire into the management of the business of all public utilities, shall keep itself informed as to the manner and method in which the same is conducted, and shall have the right to obtain from any public utility all necessary information to enable the Commission to perform its duties. Section 69-3-106, MCA.

3. Public utilities are required to render their services at just and reasonable rates. Section 69-3-110, MCA. The Commission has a duty to enforce Montana's public utility laws, and may institute an investigation of the rates, tolls, charges, rules,

practices and services of a public utility. Sections 69-3-110 and 324, MCA.

ORDER

1. The Commission orders that the rates of Northwestern Telephone Services, Inc. do not need to be adjusted as a result of the Tax Reform Act of 1986. The Company, therefore, does not have to file any rates to reflect the findings of this Final Order.

2. This Final Order is effective for services rendered on and after April 11, 1988.

DONE AND DATED at Helena, Montana, this 11th day of April, 1988 by a vote of 5 - 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

CLYDE JARVIS, Chairman

HOWARD L. ELLIS, Commissioner

TOM MONAHAN, Commissioner

DANNY OBERG, Commissioner

JOHN B. DRISCOLL, Commissioner

ATTEST:

Carol A. Frasier
Commission Secretary

{SEAL}

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.